

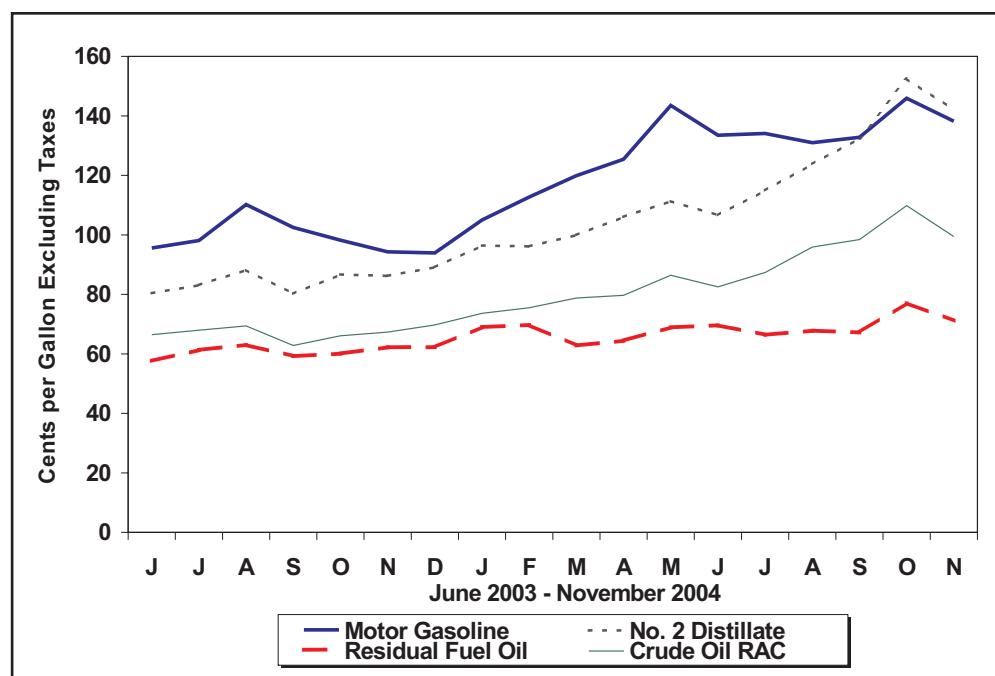
Highlights

Following the record highs seen in October, international crude oil prices declined in November. Rising stocks in major consuming markets acted as the principal factor for the decrease, but other issues also contributed to lower prices. In October, tight distillate supplies—particularly in the United States—played a significant role in the runup of crude oil prices. However, mild temperatures in November damped heating oil demand in key consuming regions that, along with higher refinery utilization rates, allowed stocks to build over the course of the month. In addition to growing distillate inventories, an increase in crude oil production in the U.S. Gulf Coast and North Sea regions following maintenance procedures contributed to more robust global supplies. Further, continuing high output from Organization of Petroleum Exporting Countries (OPEC) increased market availability of crude oil. Overall, estimates show that wellhead output was running above demand at the international level in November. Despite the retreat seen during the first half of November however, crude oil prices began to rise again in the latter half of the month. The upturn in prices was due to market technical factors and a sudden bout of market player nervousness about heating fuels supplies. In the final days of November, production outages in Norwegian oil and gas fields in the North Sea underpinned higher prices through the close of the month.

In the United States, prices for middle distillates, particularly No. 2 heating oil, set the tone for petroleum product prices during November. Although all products' prices declined appreciably from October levels, they remained volatile. The volatility stemmed from the same issues that drove prices in October,

namely product inventory, demand, and production levels. Due to both scheduled turnarounds and storm-related refinery closures in September and October, production of finished products was affected. The impact of these factors was most strongly felt on distillates. Demand from the transportation, manufacturing, and agricultural sectors for distillate fuels has been unexpectedly high this year. With demand for distillates at such robust levels this past summer (when the focus is routinely on gasoline production and supplies), inventories were not replenished at a pace perceived as adequate and prices began to climb. Typically producers rebuild stocks in the summer for the coming winter heating season. Storms affecting the Gulf Coast region exacerbated the supply issue by hampering refinery production and imports. However, the refinery utilization rate grew steadily in November, with crude oil inputs rising significantly from October levels. Production of finished gasoline and

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	November 2004		October 2004		November 2003		November 2004		October 2004		November 2003	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	155.3	57.7	158.6	59.0	109.5	63.8	138.2	311.1	145.9	319.1	94.3	305.2
Conventional	148.7	32.5	153.1	33.8	104.1	34.9	133.8	203.4	141.6	210.2	90.0	203.9
Regular	146.3	26.8	150.8	27.8	101.4	27.1	132.5	175.3	140.3	181.7	88.5	171.6
Midgrade	155.7	3.3	159.5	3.4	109.5	4.4	138.6	10.6	146.9	10.7	95.3	11.0
Premium	165.7	2.5	168.7	2.6	118.3	3.4	143.9	17.5	152.4	17.8	99.7	21.3
Oxygenated	154.0	3.4	157.5	2.8	113.0	3.9	142.1	12.0	148.0	11.3	99.1	11.4
Regular	151.3	2.7	155.2	2.3	109.9	3.0	140.6	9.8	146.6	9.1	97.7	9.0
Midgrade	159.9	0.5	163.5	0.3	118.8	0.6	142.4	1.1	148.6	1.2	99.8	1.3
Premium	170.6	0.3	174.5	0.2	129.6	0.4	155.3	1.1	161.0	1.0	110.0	1.1
Reformulated	165.2	21.8	167.2	22.4	116.5	25.0	147.1	95.7	154.8	97.6	103.5	89.8
Regular	161.3	16.2	163.4	16.8	112.1	18.0	144.5	77.1	152.3	78.8	100.6	68.9
Midgrade	172.3	2.7	174.0	2.5	123.1	3.1	154.7	4.9	161.2	4.9	109.9	5.7
Premium	180.8	2.9	182.1	3.1	131.7	3.9	159.4	13.8	166.6	13.8	114.4	15.1
Aviation Gasoline	W	W	W	W	W	W	168.6	0.4	174.5	0.5	124.4	0.4
Kerosene-Type Jet Fuel	146.5	46.4	155.0	44.6	87.8	43.1	145.4	13.8	154.9	14.0	86.5	13.1
Propane (Consumer Grade)	103.5	1.9	98.3	2.2	55.9	2.7	88.3	47.4	88.6	40.3	58.7	40.3
Kerosene	154.3	0.3	169.5	0.1	120.9	0.1	147.9	2.9	163.2	2.0	89.5	2.9
No. 1 Distillate	170.9	0.2	167.0	0.1	101.9	0.3	155.4	2.0	166.3	1.0	100.2	2.3
No. 2 Distillate	148.9	19.4	155.3	20.2	91.3	18.5	142.0	141.0	152.5	139.7	86.2	123.9
No. 2 Fuel Oil	142.5	2.6	153.2	2.3	89.1	2.6	139.3	19.6	147.7	17.1	84.2	17.7
No. 2 Diesel Fuel	149.9	16.8	155.5	17.9	91.7	15.9	142.4	121.4	153.1	122.6	86.5	106.2
Low Sulfur	152.4	11.7	158.7	12.1	93.9	10.8	143.1	103.6	153.9	107.6	87.1	88.9
High Sulfur	144.0	5.1	149.0	5.8	87.0	5.1	138.5	17.8	147.8	15.0	83.7	17.4
No. 4 Fuel^a	W	W	W	W	77.7	0.3	W	W	127.9	0.0	80.3	NA
Residual Fuel Oil	82.2	11.3	82.8	9.0	66.7	8.2	71.1	6.4	77.1	5.0	62.7	4.9
Sulfur Content not > 1 %	93.8	4.2	88.3	2.2	76.7	2.5	86.7	2.8	85.7	2.4	67.3	2.3
Sulfur Content > 1 %	75.2	7.1	81.0	6.8	62.2	5.7	59.0	3.6	68.9	2.6	58.7	2.7

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

distillate fuel oil rose accordingly, and monthly stocks data show gasoline inventories rose 2.4 percent in November, while distillate stocks increased 4.2 percent. Nonetheless, prices halted their decline at mid-month when weekly supply data showed a stockdraw in distillates, sparking concern about supplies for the coming winter season since distillate inventories were at a below-average level. Further, data showed demand for distillate fuels running much higher than in November 2003, though mild temperatures dampened demand for fuel oil, particularly in the high-consumption Central Atlantic and New England regions. Prices for other products in the complex responded in kind to rising

distillate prices. A review of month average spot market prices from New York Harbor shows the effect of these trends on prices. The monthly average price for No. 2 fuel oil was \$1.485 per gallon last month but dropped 10 cents to \$1.384 per gallon in November 2004. Last year the November average price was 83.5 cents per gallon. The average price for regular gasoline in November 2004 was \$1.220 per gallon, compared with \$1.377 per gallon last month and 88.2 per gallon one year ago.

Additional November market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Influenced by rising inventories, the November daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma retreated sharply from the record-setting levels seen in October. After opening at its highest point, \$51.78 per barrel, the price headed downwards as stocks continued to register increases and the perceived ready availability of more provisions took hold in the market. The price hit its low of \$46.10 per barrel on November 16, mainly on the expectation of weekly inventory reports showing another increase in supply. However, a reported drawdown in distillate stocks fed apprehensions about the supply of winter heating fuels and caused the price to rise and remain at a higher level through the end of the month. The price closed at \$49.16 per barrel, \$2.62 below November's opening level.

- November monthly average crude oil prices declined in all categories. The average domestic crude oil first purchase price fell \$3.29 (7.1 percent) to \$42.99 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil registered the largest decrease, falling \$6.47 (15.3 percent), to \$35.94 per barrel. The average landed cost of foreign crude oil dropped \$5.29 (11.9 percent), to \$39.10 per barrel.
- The average refiner acquisition cost for domestic crude oil fell \$1.48 (3.1 percent), to \$45.74 per barrel. The average cost of imported crude oil to U.S. refiners declined \$5.70 (12.5 percent), to \$39.83 per barrel, while the composite refiner acquisition cost for crude oil dropped \$4.36 (9.5 percent), to \$41.76 per barrel.

was struck on November 16 on the anticipation of stocks showing an increase in weekly reports. However, inventories registered a decrease, supporting a rise in the price. It remained at the higher level through the long Thanksgiving weekend and the end of the month. Closing November at \$1.254 per gallon, the price was 7.7 cents lower than when it began the month.

- Monthly average gasoline prices declined across the board in November. The average price for retail sales of motor gasoline by refiners fell 3.3 cents to \$1.553 per gallon, while the average wholesale price declined 7.7 cents to \$1.382 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 4.1 cents to \$1.536 per gallon. The average wholesale price for gasoline decreased 7.5 cents to \$1.381 per gallon. The average dealer tank wagon (DTW) price fell 6.2 cents to \$1.469 per gallon, while the average rack price declined 9.3 cents to \$1.356 per gallon. The average bulk sale price fell 5.1 cents to \$1.297 per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 14.5 cents at retail, and 11.2 cents at wholesale. Oxygenated gasoline prices were 6.4 cents more than conventional gasoline prices at retail, and 7.5 cents higher at wholesale.
- Sales of motor gasoline by refiners declined in November. Total sales dropped 9.3 million gallons per day (2.5 percent) to an average of 368.8 million gallons per day. Retail sales fell 1.3 million gallons per day (2.2 percent), while wholesales declined 8.0 million gallons per day (2.5 percent). Rack sales explained 70.3 percent of wholesales, while DTW and bulk sales accounted for 17.1 percent and 12.6 percent, respectively. Reformulated gasoline made up 31.9 percent of total motor gasoline sales, while oxygenated gasoline accounted for 4.2 percent of sales.

Petroleum Products

Motor Gasoline

Mainly the result of comfortable inventory levels, the November daily spot price for regular gasoline at New York Harbor showed the narrowest range of movement for any of the major products prices in the complex. Opening at \$1.331 per gallon, its highest level for the month, the price declined during the coming weeks as inventories continued to register within a normal range for this time of year. The low of \$1.220 per gallon

No. 2 Distillate

While the November daily spot price for No. 2 fuel oil at New York Harbor drew back from the high levels seen in October, it remained volatile as trepidation about the adequacy of supplies at the beginning of the heating season colored market behavior. Opening at \$1.446 per gallon, the price dropped appreciably during the first half of the month and reached its low of \$1.314 on November 16. The price jumped following the release of a government stocks report showing a decrease in distillates inventories when market watchers had expected an increase. The price reached the month's high of \$1.472 per gallon on November 19. Easing moderately

through the end of the month, the price closed November at \$1.382 per gallon, 6.4 cents below its opening level.

- November monthly average prices for No. 2 distillates followed the general downward trend in petroleum products prices. The national average residential sales price fell 0.3 cent to \$1.802 per gallon. The average wholesale price slid 10.1 cents to \$1.426 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets decreased 1.8 cents, while the average No. 2 diesel fuel wholesale price declined 10.4 cents. The difference between low- and high-sulfur diesel fuel prices was 6.0 cents at retail and 3.9 cents at wholesale.
- Refiner sales of No. 2 distillates increased modestly in November. Total sales rose 500,000 gallons per day (0.3 percent), to 160.4 million gallons per day. Sales of No. 2 fuel oil increased 2.8 million gallons per day (14.4 percent), while sales of No. 2 diesel fuel fell 2.3 million gallons per day (1.6 percent). Low-sulfur diesel fuel accounted for 83.4 percent of all refiner diesel fuel sales, and 71.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Changes in national average residual fuel oil prices were mixed in November. Refiner prices for low-sulfur residual fuel oil rose 5.5 cents per gallon to 93.8 cents per gallon at retail, and 1.0 cent to 86.7 cents per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil declined 5.8 cents to 75.2 cents per gallon, while the wholesale price fell 9.9 cents, to 59.0 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil in-

creased 4.9 cents to 88.0 cents per gallon at retail, and 2.7 cents to 83.9 cents per gallon at wholesale. The retail price for high-sulfur residual fuel oil decreased 5.2 cents to 75.1 cents per gallon, while the wholesale price dropped 9.5 cents to 65.7 cents per gallon.

- Refiner sales of residual fuel oil increased in November. Total sales rose 3.7 million gallons per day (26.4 percent). Low-sulfur residual fuel oil sales climbed 2.4 million gallons per day (52.2 percent), while high-sulfur residual fuel oil sales rose 1.3 million gallons per day (13.8 percent).

Other Products

- Changes in monthly average prices for the remaining surveyed products varied in November. Refiner prices for propane rose 5.2 cents per gallon at retail, but declined 0.3 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 7.4 cents per gallon. The average retail propane price climbed 8.7 cents per gallon, while the average wholesale propane price inched up 0.6 cent per gallon. Prices for kerosene and kerosene-type jet fuel declined at both retail and wholesale. No. 1 distillate prices increased at retail, but fell at wholesale levels. The November wholesale price for aviation gasoline also declined at wholesale.
- Refiner sales of the products included in this section were mixed in November. Sales of propane fell at retail but increased at wholesale, while sales of kerosene-type jet fuel did just the opposite. No. 1 distillate and kerosene sales increased at both levels, while sales of aviation gasoline declined at wholesale.